

1 STATE OF MINNESOTA DISTRICT COURT  
2 COUNTY OF RAMSEY SECOND JUDICIAL DISTRICT  
3 - - - - -  
4 The State of Minnesota,  
5 by Hubert H. Humphrey, III,  
6 its attorney general,  
7 and  
8 Blue Cross and Blue Shield  
9 of Minnesota,  
10 Plaintiffs,  
11 vs. File No. C1-94-8565  
12 Philip Morris Incorporated, R.J.  
13 Reynolds Tobacco Company, Brown  
14 & Williamson Tobacco Corporation,  
15 B.A.T. Industries P.L.C., Lorillard  
16 Tobacco Company, The American  
17 Tobacco Company, Liggett Group, Inc.,  
18 The Council for Tobacco Research-U.S.A.,  
19 Inc., and The Tobacco Institute, Inc.,  
20 Defendants.  
21 - - - - -  
22 TRANSCRIPT OF PROCEEDINGS  
23 VOLUME 68, PAGES 13542 - 13794  
24 APRIL 23, 1998  
25

DIRECT EXAMINATION - JAMES J. MORGAN

1 P R O C E E D I N G S.  
2 THE CLERK: All rise. Ramsey County  
3 District Court is again in session, the Honorable  
4 Kenneth J. Fitzpatrick now presiding.  
5 (Jury enters the courtroom.)  
6 THE CLERK: Please be seated.  
7 THE COURT: Good morning.  
8 (Collective "Good morning.")  
9  
10 DIRECT EXAMINATION - JAMES

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1  
2 STIREWALT & ASSOCIATES  
DIRECT EXAMINATION - JAMES J. MORGAN

1 THE COURT: Counsel.  
2 MR. BLEAKLEY: Thank you, Your Honor.  
3 Good morning, ladies and gentlemen.  
4 (Collective "Good morning.")  
5 JAMES J. MORGAN  
6 called as a witness, being previously  
7 sworn, was examined and testified as  
8 follows:  
9 DIRECT EXAMINATION (cont'd)  
10 BY MR. BLEAKLEY:  
11 Q. Good morning, Mr. Morgan.  
12 A. Good morning, Mr. Bleakley.  
13 Q. When we broke yesterday afternoon, Mr. Morgan,  
14 we were talking about some documents that had been  
15 prepared by a Philip Morris employee by the name of  
16 Myron Johnston. You recall those questions?  
17 A. Yes, I do.  
18 Q. And you said that Mr. Johnston was an employee

19 of the Research and Development Center at Philip  
20 Morris --  
21 A. Yes.  
22 Q. -- and wasn't in the marketing department.  
23 A. He was not in the marketing department.  
24 Q. Okay. Have you seen, during the course of your  
25 career at Philip Morris, or during the course of  
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1 preparation for this trial or your deposition, any  
2 other documents; that is, documents other than those  
3 authored by Myron Johnston that were prepared by or  
4 for Philip Morris, that discussed the smoking  
5 patterns or attitudes of people under 18?  
6 A. Yes.  
7 Q. How many have you seen?  
8 A. Several.  
9 Q. What would you estimate the number to be?  
10 A. Not including Mr. Johnston's documents?  
11 Q. Yes.  
12 A. Another five maybe.  
13 Q. Can you give us some examples of such documents  
14 that you have seen?  
15 A. Two come to mind that I was deposed about in  
16 this case. One was a Roper study, Roper being an  
17 outside polling organization, and that was from, I  
18 think, mid-1970s. The other thing I remember is a  
19 reference in a memo to an Opinion Research  
20 Corporation, which would be a company similar to  
21 Roper, and there was a memo written, I think, by  
22 someone in Philip Morris that referenced some data  
23 that was in that particular study that involved, I  
24 think, 17-year-olds.  
25 Q. Now who is the Roper Organization?

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1 A. Well Roper is a -- it's like Gallup or Roper or  
2 Opinion Research, these are national companies that  
3 do polling, and so I guess like in political  
4 campaigns or something when you read a poll reveals  
5 this, it's that kind of company.  
6 Q. For what purpose does Philip Morris use an  
7 organization like Roper?  
8 A. Generally tracking attitudes, demographics,  
9 things like that, about cigarette smoking.  
10 Q. And you -- you said you saw one or two documents  
11 that were prepared by Roper?  
12 A. I -- I remember a couple. I think -- I think  
13 there were, you know, two or three more I can't think  
14 of, but it's something in that range.  
15 Q. The other that you mentioned was -- was it  
16 Opinion Research Corporation?  
17 A. Yes.  
18 Q. And what is Opinion Research Corporation?  
19 A. Same as Roper. Different company, but they do  
20 the same thing; they poll people.  
21 Q. And for what purpose does Philip Morris use  
22 Opinion Research Corporation?  
23 A. Actually I -- I'm -- I'm -- I'm not aware that  
24 Philip Morris uses Opinion Research. I -- I was --  
25 when I saw that document, I -- I didn't remember that  
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1 Opinion Research was used. Opinion -- in -- in --  
 2 Opinion Research would generate, again,  
 3 information on the public at large, broad national  
 4 sample, probably, of such things as what percentage  
 5 of adults smoke, where -- where do they live. Could  
 6 do attitudes about smoking, things like that.  
 7 Q. It would be similar to the kind of work Roper  
 8 does?  
 9 A. It would be -- it would be the same.  
 10 Q. Did any of the documents that you saw prepared  
 11 by either of these organizations recommend or suggest  
 12 that Philip Morris target people under the age of 18  
 13 in its marketing?  
 14 A. No, they did not.  
 15 Q. Was any of the information that was prepared by  
 16 Roper or Opinion Research Corporation used by the  
 17 marketing department, to your knowledge?  
 18 A. No.  
 19 Q. And you said you saw one or two other -- handful  
 20 of other --  
 21 A. I think -- I think in total, including that  
 22 Myron Johnston document, I've seen there were maybe  
 23 10, 11, 12.  
 24 Q. And of those, how many were marketing strategy  
 25 documents like brand and media plans?

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1 A. None.  
 2 Q. About how many marketing strategy documents like  
 3 brand and media plans are prepared by Philip Morris  
 4 every year?  
 5 A. Oh, couple of hundred.  
 6 Q. And in the period that you've been associated  
 7 with Philip Morris; that is, almost 30 years, how  
 8 many such documents have been prepared?  
 9 A. I'd say several thousand.  
 10 Q. What is your understanding of the total number  
 11 of marketing documents that were produced by Philip  
 12 Morris in this case?  
 13 A. 250,000.  
 14 MR. BLEAKLEY: I have no further questions.  
 15 MR. GILL: Would you like your notebook,  
 16 Mr. Bleakley?  
 17 Good morning, ladies and gentlemen.  
 18 (Collective "Good morning.")  
 19 CROSS-EXAMINATION  
 20 BY MR. GILL:  
 21 Q. Good morning, Mr. Morgan.  
 22 A. Good morning Mr. --  
 23 Q. Gill.  
 24 A. Mr. Gill.  
 25 Q. I'm Dick Gill. I'm one of the attorneys that

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1 represents the state of Minnesota and Blue Cross and  
 2 Blue Shield in this matter.  
 3 A. Okay.  
 4 Q. You don't mind if I fill in for Mr. Ciresi while  
 5 he rests his vocal cords for a while.  
 6 A. No.  
 7 Q. Mr. Morgan, you came to Minnesota yesterday from

8 where?  
9 A. From New York.  
10 Q. You're still a resident of New York?  
11 A. Connecticut actually.  
12 Q. Connecticut.  
13 A. Yes.  
14 Q. They had a very mild winter in Connecticut and  
15 New York this year?  
16 A. Wet but mild.  
17 Q. And were you --  
18 I notice that you have a very nice tan. Did you  
19 develop that in New York or Connecticut?  
20 A. Yes, I did.  
21 Q. Mr. Morgan, you came here yesterday well  
22 prepared to deliver your testimony; did you not?  
23 A. Yes, I was.  
24 Q. And just like any good advertising campaign,  
25 there was a certain theme to your testimony; was  
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1 there not?  
2 A. No, there wasn't.  
3 Q. Well wasn't there a theme that cigarettes --  
4 Wasn't there a theme that Philip Morris does not  
5 market cigarettes to boys and girls under the age of  
6 18? Wasn't that your theme?  
7 A. No, that wasn't my theme, that was the facts.  
8 Q. Well whatever it was, it was something that you  
9 repeated several times throughout the course of your  
10 testimony; correct?  
11 A. Yes. Yes.  
12 Q. And you also said several times that it would be  
13 wrong for Philip Morris to market cigarettes to boys  
14 and girls under age 18; correct?  
15 A. I think it would be wrong.  
16 Q. And you told us why you thought it would be  
17 wrong; true?  
18 A. Yes.  
19 Q. You indicated that it would be wrong because  
20 children under the age of 18 are not mature enough to  
21 take up smoking; true?  
22 A. I -- I -- I don't agree with that  
23 characterization of what I said.  
24 Q. I'm sorry?  
25 A. I don't agree that that's the

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1 characterization -- a good characterization of what I  
2 said.  
3 Q. Did you indicate that children under age 18 were  
4 not mature enough to make a decision to begin  
5 smoking?  
6 A. No, I don't think I said that.  
7 Q. Does maturity have anything to do with your  
8 opinion that it would be wrong for Philip Morris to  
9 market cigarettes to children under 18?  
10 A. I -- I -- I'm --  
11 I have a feeling like I'm coming across like I'm  
12 quibbling with you. My problem is the use of the  
13 word "maturity." I said, I think, that smoking is a  
14 risk, and the decision-making act to evaluate that  
15 risk, in my mind, is 18, and couple that with the  
16 fact that states, public states also determined that

17 it was 18.  
18 Q. So children under age 18 would be too young or  
19 too immature to go through the decision-making  
20 process with respect to that risk that you're  
21 referring to.  
22 A. On -- on --  
23 Basically I agree with that statement, yes.  
24 Q. Now characterizing smoking as a risk is putting  
25 the very best face that Philip Morris could put on

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1 the issue of the health effects of smoking; true?  
2 A. I -- I'm not sure what you mean by that.  
3 Q. Well I'm sure you're aware that the Surgeon  
4 General of the United States, virtually every health  
5 organization in the world who has investigated the  
6 health effects of smoking, have determined that  
7 smoking directly causes lung cancer and other forms  
8 of cancer, emphysema, and cardiovascular disease;  
9 true?  
10 A. I believe that those groups have -- have said  
11 conclusively that there's a statistical association,  
12 yes.  
13 Q. And that's a good deal stronger than simply  
14 indicating that smoking is a risky type of behavior;  
15 true?  
16 A. I'm not sure of that.  
17 Q. You're not sure of that?  
18 A. No.  
19 Q. You're not sure that a direct causal  
20 relationship between smoking and all of those  
21 diseases is a good deal more concerning and ought to  
22 be a good deal more concerning to smokers than simply  
23 characterizing it as a risky behavior?  
24 A. No, because I know what I meant when I used the  
25 word "risk," and -- and when I used the word risk I

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1 was including my knowledge of what the public health  
2 authorities said.  
3 Q. Now Philip Morris has been characterizing  
4 smoking in terms of it being risky behavior for a few  
5 years now; has it not?  
6 A. If I remember right, it was the late 1980s that  
7 Philip Morris said that smoking was -- was a risk,  
8 yes.  
9 Q. Prior to that Philip Morris simply repeated and  
10 repeated that it had not been proven that smoking  
11 caused lung cancer and those other diseases; true?  
12 A. It's sort of outside my area of expertise, but I  
13 think that's a fair characterization.  
14 Q. And do you know of any other organization in the  
15 world in the 1990s that merely characterizes smoking  
16 behavior as a risk for these diseases as opposed to  
17 directly causing those diseases? Do you know of any  
18 other organization?  
19 A. I --  
20 No, I don't. I'd have no basis to know that.  
21 Q. You'd have no basis to know that?  
22 A. No.  
23 Q. You're a well-read individual; are you not?  
24 A. Reasonably.  
25 Q. Well when you say you can't think of any

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1 organization -- other organization, certainly the  
 2 other cigarette manufacturers characterize smoking  
 3 the way Philip Morris does in terms of the health  
 4 effects; true?  
 5 A. I don't know that.  
 6 Q. You don't know that?  
 7 A. I don't know if each company characterizes it  
 8 the same way.  
 9 Q. Well with the exception of Liggett. Liggett now  
 10 says there is a direct causal link between smoking  
 11 and cancer; true?  
 12 A. I don't know that. I've sort of lost track of  
 13 that.  
 14 Q. You lost track of that simply since the time  
 15 that you retired?  
 16 A. Uh-huh.  
 17 THE REPORTER: Your answer?  
 18 THE WITNESS: Yes.  
 19 Q. Well how about The Tobacco Institute. That's an  
 20 organization; isn't it?  
 21 A. Yes, it is.  
 22 Q. And that has a position on the health effects of  
 23 smoking.  
 24 A. I -- I'm sure it does.  
 25 Q. And isn't The Tobacco Institute's position on  
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1 the health effects of smoking that it's not been  
 2 proven whether smoking causes disease or at most that  
 3 smoking is simply a risk factor?  
 4 A. I don't know that for a fact, but it seems --  
 5 I -- I'm not going to quarrel with it.  
 6 Q. And are you aware of an organization called The  
 7 Council for Tobacco Research?  
 8 A. Yes, I am.  
 9 Q. That's another organization that takes the  
 10 position that it's not proven whether or not smoking  
 11 causes cancer; true?  
 12 A. Again, I -- I can't say that I know that for a  
 13 fact, but I -- I'm not going to disagree with you.  
 14 Q. So there are those organizations in the world  
 15 that take the position that smoking is simply a risk  
 16 factor and that the case directly linking smoking to  
 17 cancer and these other diseases has not been proven.  
 18 A. I -- I can't agree with you on that, because,  
 19 again, it depends on how you define "risk."  
 20 Q. You do know that the tobacco industry owns those  
 21 two other organizations that take the position that  
 22 smoking is merely a risk factor.  
 23 A. Yes, I know that the tobacco industry funds  
 24 those organizations.  
 25 Q. Pays all the expenses of those organizations;  
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1 true?  
 2 A. Well what --  
 3 What do you mean by "the tobacco industry?"  
 4 Q. Well the tobacco industry doesn't sell anything;  
 5 does it?  
 6 A. Well the reason I'm -- I'm saying that is if you  
 7 mean the tobacco industry being the cigarette  
 8 companies, then I -- I think in the case of both The

9 Tobacco Institute and The Council for Tobacco  
10 Research, that it's funded by more than the cigarette  
11 companies. So you said -- when you said "the tobacco  
12 industry funds them," I -- I want to make -- be  
13 precise on that.  
14 Q. Let's get a little closer to your own area,  
15 then, of personal knowledge. How much does Philip  
16 Morris pay toward the expenses of The Tobacco  
17 Institute and The Council for Tobacco Research on an  
18 annual basis?  
19 A. My memory over the last several years is that  
20 combined it's probably about 25 million dollars a  
21 year for both.  
22 Q. Well what I was trying to ask, and I apologize  
23 if the question wasn't clear, is what is the  
24 percentage of the total funding that those  
25 organizations receive from their owners that is paid

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1 by Philip Morris as a company?  
2 A. Well in both cases I know because I was -- you  
3 know, had the budgets within my purview, the  
4 companies, Philip Morris would pay -- of -- of the  
5 cigarette companies, Philip Morris would pay roughly  
6 half of both The Tobacco Institute and The Council  
7 for Tobacco Research. But there are other  
8 organizations that fund both those organizations.  
9 That's where I got hung up, was --  
10 Q. So Philip Morris has been paying approximately  
11 half of the salary for everybody that works at The  
12 Tobacco Institute or The Council for Tobacco  
13 Research; true?  
14 A. Approximately.  
15 Q. But other than those organizations that are  
16 supported by Philip Morris and other tobacco  
17 companies, there are none that have not found a  
18 direct causal link between smoking and these diseases  
19 that I mentioned; true?  
20 A. I -- I -- I don't know that that's true the way  
21 the -- that you said, there are not -- there are none  
22 that have not found a link. I don't know. There may  
23 be some organizations that are not claiming a link.  
24 I don't know.  
25 Q. If there are any anywhere in the world who have

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1 investigated the question and haven't found a direct  
2 causal link, none come to your mind; true?  
3 A. That's correct.  
4 Q. And you certainly would have been very  
5 interested in knowing about it when you were the CEO  
6 of Philip Morris, if there was such an organization  
7 on the face of the earth; true?  
8 A. I would have been interested in it.  
9 Q. Now another reason that everyone should be  
10 concerned about the health consequences of children  
11 taking up smoking is that world health organizations  
12 have reported that smoking is addictive; true?  
13 A. I -- I believe that's correct.  
14 Q. And if we're talking about a behavior that may  
15 lead directly to diseases like cancer, emphysema and

16 cardiovascular disease, and a behavior that may be  
17 addictive, then it's even more important to ensure  
18 that children under the age of 18 don't take up such  
19 a practice; true?  
20 A. Seems logical.  
21 Q. Because if they take it up prior to the age of  
22 18, when you say they would be too young to make such  
23 a decision, they may well be addicted to the behavior  
24 by the time they reach 18; true?  
25 A. It's possible.

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1 Q. And then 30 or 35 years later, based upon  
2 reports from world health organizations, that  
3 addictive behavior may result in their death.  
4 A. May.  
5 Q. And it's for all those reasons that it would be  
6 very, very wrong for any manufacturer of cigarettes  
7 to exploit children in order to sell those products;  
8 true?  
9 A. That's a -- that's a fair summary statement of  
10 where I'm coming from.  
11 Q. Now you told us yesterday that you retired from  
12 Philip Morris on November 1 of last year; correct?  
13 A. That is correct.  
14 Q. But you do not come to this courtroom to address  
15 the issue of children smoking as a disinterested  
16 party; do you?  
17 A. No, I do not.  
18 Q. Philip Morris has been very good to you over  
19 your 30 years or so with the company; true?  
20 A. I've enjoyed working for the company, yes.  
21 Q. And the company has rewarded you handsomely for  
22 your efforts; true?  
23 A. I -- I don't know how to characterize my reward.  
24 Q. Well during 1997, as I understand it, you were  
25 earning a salary of \$650,000 per year; true?

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1 A. That is true.  
2 Q. Most people would consider that handsome  
3 compensation for services rendered; true?  
4 A. As an absolute number, yes.  
5 Q. And when that question was put to you at your  
6 deposition last September about your salary, did you  
7 include -- when you mentioned \$650,000 as your annual  
8 compensation, were you including any annual incentive  
9 awards within that figure?  
10 A. No. The question was about my salary.  
11 Q. And when you answered it, did you include any  
12 long-term performance awards from Philip Morris  
13 within that \$650,000?  
14 A. No.  
15 Q. But you are familiar with both of the concepts  
16 that I just mentioned; are you not?  
17 A. Yes, I am.  
18 Q. You have in the past earned annual incentive  
19 awards; have you not?  
20 A. Yes, I have.  
21 Q. And have you in the past earned long-term  
22 performance awards?  
23 A. For several years.  
24 Q. For several years?

1 the basis of annual incentive awards or long-term  
2 performance awards in relation to their annual  
3 salary?  
4 A. That --  
5 The way it works is that would depend on their  
6 level within the company, and what percent of their  
7 annual salary they can earn is determined by where  
8 they are in the hierarchy.  
9 Q. And according to this plan that the company has,  
10 an executive situated high enough in the hierarchy  
11 can earn as much as 125 percent per year of their  
12 annual salary; true?  
13 A. I think that's true.  
14 Q. Now you --  
15 Philip Morris is on a calendar-year basis in  
16 terms of their accounting; is that correct?  
17 A. Yes.  
18 Q. And you left before the 1997 calendar year  
19 ended, obviously. You retired.  
20 A. Yes.  
21 Q. Let's go back then to 1996. What was your  
22 annual salary in 1996? Was it approximately  
23 \$650,000?  
24 A. It was lower than that. I don't recall, but it  
25 was over six hundred. I really just don't recall the  
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1 number.  
2 Q. And for 1996, how much did you receive in  
3 addition to that salary in annual incentive awards or  
4 long-term performance awards?  
5 A. Well long-term performance awards --  
6 Long-term performance awards were not paid in  
7 1996. My annual bonus that year was equal to my  
8 salary.  
9 Q. So in 1996 you made somewhat more than a million  
10 two hundred thousand dollars.  
11 A. In -- in salary plus annual bonus, yes.  
12 Q. An even more handsome amount; true?  
13 A. Again, I don't know what you mean by "handsome."  
14 It's a lot of money, yes.  
15 Q. And had you been receiving either annual  
16 incentive awards or long-term performance awards ever  
17 since you rejoined the company in 1988?  
18 A. No.  
19 Q. Did you receive awards most of those years  
20 between '88 and the time you retired?  
21 A. I -- I received annual incentive awards every  
22 year, but not long-term incentive awards. That was a  
23 newer program.  
24 Q. That was a newer program on top of the annual  
25 incentive awards.

1 A. That's correct.  
2 Q. Now does someone who's working on the production  
3 line in Richmond, do they receive annual incentive  
4 awards that might be equal to 125 percent of their  
5 salary?

6 A. No. No, they don't.  
7 Q. They do not?  
8 A. No, they do not.  
9 Q. Are they in that program at all?  
10 A. Not, no -- they are not.  
11 Q. Who decides who gets this money?  
12 A. The board of directors at Philip Morris.  
13 Q. And were you a member of the board of directors  
14 before you retired?  
15 A. No, I was not.  
16 Q. Does the board of directors appoint some type of  
17 a committee to make a recommendation to the board  
18 with respect to who should get what?  
19 A. Yes, they do.  
20 Q. Have you ever been on that committee?  
21 A. No, I have not.  
22 Q. Do you know the people who are on it?  
23 A. Not everybody. I know who the chairman of that  
24 committee is.  
25 Q. Now at the time that you left Philip Morris, did  
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1 you receive any other forms of financial support from  
2 the company the day you left?  
3 A. Yes, but I'm -- I'm not sure -- I mean --  
4 Go ahead. I'm sorry. Yes.  
5 Q. Did you receive some type of a cash payment?  
6 A. No, I did not.  
7 Q. Did you receive some type of a severance package  
8 that included various types of compensation?  
9 A. Yes, I did. A retirement package.  
10 Q. A retirement package. And what was in your  
11 retirement package?  
12 THE WITNESS: Your Honor, may I -- may I  
13 talk to my lawyer?  
14 THE COURT: No.  
15 THE WITNESS: Okay.  
16 A. I had in it such things as the continuation of  
17 health insurance, the continuation of life insurance,  
18 an annual retirement payment.  
19 Q. How much is that?  
20 A. Six hundred thirty-seven thousand dollars a  
21 year.  
22 Q. For how long?  
23 A. Until I die. That's based on a formula that the  
24 company uses, and years of service times average  
25 compensation.

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1 Q. Subject to escalation based upon the cost of  
2 living?  
3 A. I don't believe so.  
4 Q. You just have to make due with the 637.  
5 MR. BLEAKLEY: Objection, Your Honor.  
6 MR. GILL: I'll withdraw that, Your Honor.  
7 Q. What else is in the compensation package?  
8 A. That I can keep my company car for two years,  
9 that they will maintain my home security system at  
10 their expense as long as I am called upon to appear  
11 in public on behalf of the company or on behalf of  
12 myself. There was a continuation --  
13 One of the things that people got at Philip

14 Morris, again at a certain level, is they give you  
15 money for financial counseling. That would continue  
16 for two years. I think that pretty much covers it.  
17 Q. That's in order to invest the money to make more  
18 money?  
19 A. No, it's in order to pay your taxes and just do  
20 general financial counseling. It's basically for tax  
21 preparation, I think.  
22 Q. You can't use it to consult with a stock  
23 analyst?  
24 A. You could.  
25 Q. And the purpose of that would be to take the

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1 money and turn it into more money; true?  
2 A. That may be the purpose, but I've never done  
3 that. I've always used it to -- to have people help  
4 me with my income taxes.  
5 Q. You haven't done that so far.  
6 A. I have not done that. I said I've never done  
7 that.  
8 Q. You haven't had the need to do that.  
9 A. Well a lot of people tell me I have the need to  
10 do it. I've chosen not to.  
11 Q. What else is in the compensation package, --  
12 A. That's --  
13 Q. -- the severance package?  
14 A. That's pretty much it.  
15 Well I'm sorry. There's -- there's also stock  
16 options, which is maintaining the stock options that  
17 I had.  
18 Q. We'll get to that in a moment.  
19 How about a pension, or is the 637 the pension?  
20 A. That's -- that's the pension.  
21 Q. Do you have a consulting contract?  
22 A. No, I do not.  
23 Q. Now with respect to the stock option, you got an  
24 additional stock option when you retired?  
25 A. No, I did not. Not a one.

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1 Q. You were allowed to keep the ones you already  
2 had?  
3 A. To some degree. I gave up --  
4 I did have to give up some.  
5 Q. How many shares of Philip Morris stock do you  
6 own today, sir?  
7 A. Do I own? I own --  
8 Depends how you define ownership. That I own in  
9 my name? I mean I own about fifteen --  
10 Q. Either you or members of your family.  
11 A. No, I understand. I understand. About 15,000  
12 shares.  
13 Q. The stock trades around forty dollars a share,  
14 somewhere in that vicinity?  
15 A. Yes, it does.  
16 Q. So 15,000 shares at forty dollars a share, what  
17 is that, 600,000? Six million? I'm kind of losing  
18 track of the zeroes.  
19 A. Six hundred thousand dollars.  
20 Q. And with respect to stock options, how many  
21 options do you own?  
22 A. Around --

23 Right now I could exercise about 600,000 shares.  
24 Q. Six hundred thousand shares.  
25 A. Yes. CROSS-EXAMINATION

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1 Q. And at some future date you might be able to  
2 exercise additional shares?  
3 A. Yes, but not big --  
4 There are some other shares that have not yet  
5 what's called vested.  
6 Q. When would they vest?  
7 A. By 2001.  
8 Q. How many additional shares might vest by 2001?  
9 A. About 160,000 more.  
10 Q. And how long, with respect to the 600,000  
11 options that you hold today, do you have in order to  
12 exercise those options?  
13 A. I believe that the first of them, the 10-year  
14 expiration period comes up this July, so I -- I will  
15 need to start exercising options this July.  
16 Q. And then it runs out, with regard to the  
17 remainder, anywhere from that timeframe up to  
18 approximately 10 years?  
19 A. No. Because when you retire, different  
20 conditions come in, and I think that within three  
21 years after your retirement you -- you -- you need to  
22 exercise whatever options there are.  
23 Q. If you took those 600,000 options and you  
24 exercised them today, --  
25 A. Yes. CROSS-EXAMINATION

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